

February 25, 2014

Co-Chair Paul R. Doyle
Co-Chair David A. Baram
Senator Kevin D. Witkos
Representative Dan Carter

General Law Committee:

Thank you for listening to our concerns about upcoming legislation that will have a negative impact on our industry. This proposed legislation is not only detrimental to me and my family, but to the 100's of other family-owned heating oil dealers in the State. This legislation seems to be a hot topic because we had a "bad egg" in our industry this year. The owner of that company made bad choices and didn't follow the current law. (The previous dealer, 6-7 years ago, was a true criminal and it didn't matter what industry he was a part of. He was a crook.) But, thank you for hearing "our side" and hopefully this testimony will give you some insight into our position.

First of all, the current law is the RIGHT ONE:

- a. The current law requires companies to purchase their prepay gallons via an industry mechanism that follows best practices. This includes locking in fixed price supply with a supplier; purchasing and storing physical inventory; or hedging the gallons with a registered trading company. **The solution is to enforce this law! The biggest exposure an oil company can have to being out of position and unable to deliver gallons is to be "uncovered" in the market. If a company follows industry best practices and locks in oil sold - the exposure is eliminated.**
 - i. To my recollection, DCP has sent only 2 letters to oil dealers requesting confirmation of abiding by the law. The first came the year the law was written. The second came this fall after the recent oil company bankruptcy.
 - ii. Senator Dante Bartolomeo met with Tuxis-Ohr's and Roman Oil both out of Meriden and we discussed the "inner workings" of heating oil companies with her. She left with the intention of asking that DCP be REQUIRED to mail these law-abiding letters every year. **We truly believe the law the way it is written is the correct one and the solution can be that DCP follow their guideline to mail the letter every year.**

The Bonding requirement is the WRONG MECHANISM! Requiring a company to bond doesn't prevent exposure from price fluctuation! The current law requiring futures contracts or physical supply is the correct one!

- a. Bonding is very expensive... and costs will only be passed on making energy more expensive for the consumer. (We estimate our customers who prepaid at our initial offering last spring will have saved approximately \$200,000 by the end of this season.) Why take that money away from consumers and give it to insurance companies?
- b. The law could create a monopoly whereby only a few companies pay for the bond and offer prepay and the smaller companies will be hurt.
- c. It encourages a homeowner to take an abnormal risk by signing up for something that could be an "absurdly low price out of season," because that homeowner knows they are protected if they take that risk.
- d. The law is unenforceable since it requires a bond for 80% of gallons sold when DCP doesn't have a true mechanism to know what is sold.

Respectfully,

Kate Childs

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